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2			
3			
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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 15, 1976 CI NIDC 76-165C

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Thursday July 15, 1976.

The NID Cable is for the purpose of informing senior US officials.

LEBANON

Palestine Liberation Organization leader Yasir Arafat will go to Damascus tomorrow, perhaps to explore the possibilities of a cease-fire with Syria.

Arafat may have concluded that he has no alternative but to go to Syria. Pro-Palestinian newspapers in Beirut have characterized the League's inability to take decisive action as "an exhibition of Arab indifference" to the Palestinians' plight and as a "new opportunity" for Syria to pursue its offensive in Lebanon.

The Palestinians apparently received little support for their position that they could not go along with a cease-fire unless Syrian forces withdrew from Lebanon completely. The Arab foreign ministers concentrated less on how to relieve the Palestinians than on how to effect a reconciliation with Syria, and few states were willing to back the Palestinian demand for a full Syrian withdrawal.

Continued supply difficulties and indications of intensified disagreement over strategy within Palestinian and leftist ranks further suggest Arafat may sue for peace.

the leader of the leftist Lebanese Arab Army issued a public statement yesterday obliquely criticizing Arafat for "fighting for personal survival."

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[REDACTED] There are some indications that Arafat may also be in contact with Christian leaders. A Beirut newspaper yesterday said he and a Phalanges Party leader held a secret meeting on Monday.

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[REDACTED] Syria's limited pullback from Sidon yesterday will enable Arafat to negotiate with Damascus without appearing to be submitting to Syrian demands. The Syrians may in fact have anticipated that a tactical concession on their part would facilitate Arafat's acquiescence in cease-fire talks.

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SPAIN

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[REDACTED] The new Spanish government of Prime Minister Suarez passed its first parliamentary test yesterday when the Cortes approved the penal code revisions needed to implement legislation passed in June legalizing political parties. The changes were delayed last month by rightist opposition.

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[REDACTED] Removal of restrictions on political activity from the penal code will make it easier for the government to grant amnesty to political prisoners detained under the old rules. Last week, there were widespread demonstrations demanding amnesty for the political prisoners not covered by the King's earlier amnesty decree.

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[REDACTED] The government failed to get a majority of the Cortes to vote for the penal code revisions--absentees, abstainers, and those opposed outnumbered those who voted for the measure. This suggests that the government may have difficulty getting the remainder of the reform program approved.

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[] Controversy arose over the lack of any specific reference to the Communist Party by name in the revised code. The formula approved over rightist objections sets fines and prison terms for members of organizations "subject to an international discipline that proposes to implant a totalitarian system in Spain." A justice committee member assured the Cortes that this is enough to keep the Communists on the sidelines.

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[] In fact, the wording could allow the government to legalize the Communist Party at some time in the future if it accepted the recent assertions of Spanish Communist leader Santiago Carrillo that his party is no longer subject to Moscow's direction.

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[] Although military opposition to legalization of the Communist Party is likely to prevent the government from such action any time soon, the cabinet wants some flexibility on the matter to aid it in getting the democratic opposition parties to take part in the planned referendum on political reforms and the subsequent election. The opposition parties are insisting that all parties, including the Communist, be legalized. []

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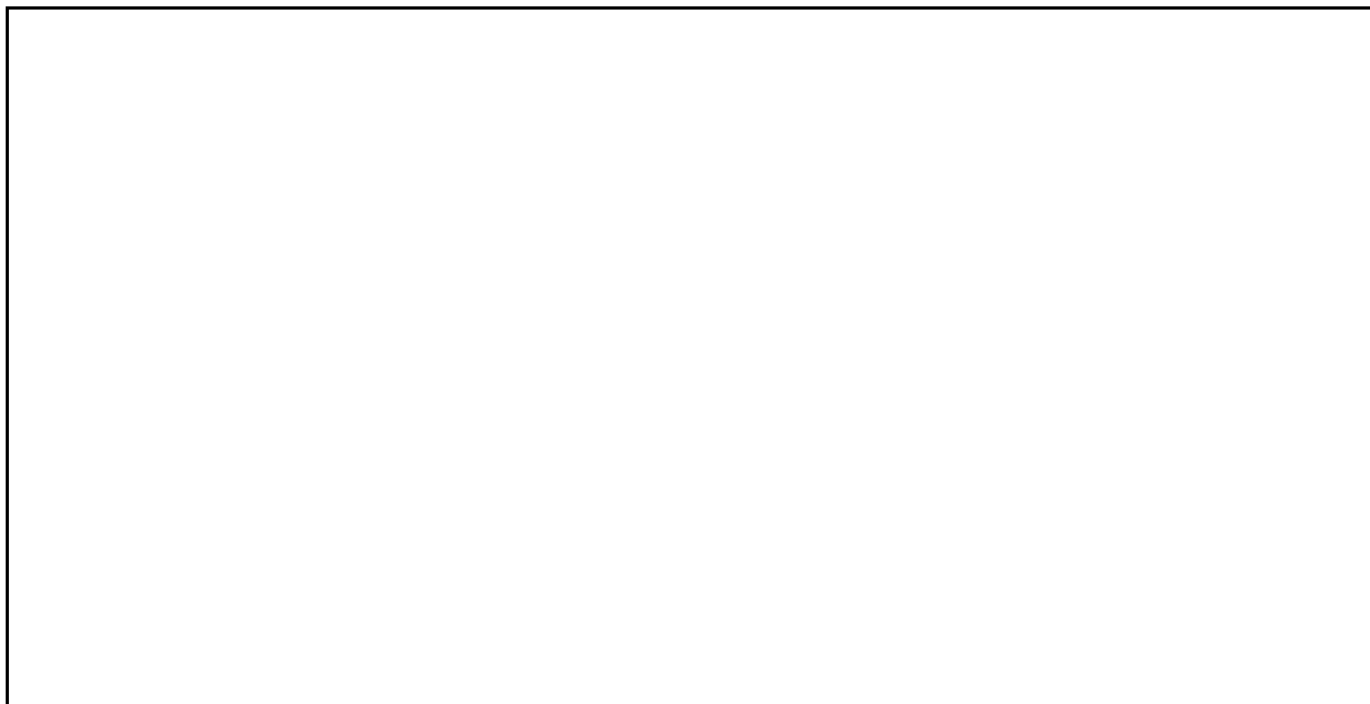
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GREECE-TURKEY

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[REDACTED] Greek-Turkish tensions are rising again after Turkey's latest move in the war of nerves over sending a research vessel into the Aegean.

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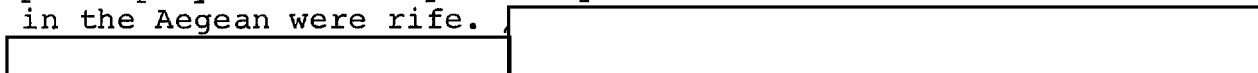
[REDACTED] On Tuesday, the Turkish National Security Council recommended that the government take steps to ensure the safety of the vessel--the Sismik I--in Turkey's territorial waters and on the high seas. The announcement followed a press statement by Foreign Minister Caglayangil asserting that the ship would soon begin its research activities and that the Turkish government would not tolerate any interference with the mission.

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[REDACTED] Greek reaction was immediate and emotional. The press played the story heavily and rumors of an imminent clash in the Aegean were rife.

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[redacted] The Turkish statements, however, do not appear to go much beyond the previously announced government position and seem primarily designed to milk maximum domestic political benefit from the pending exploration.

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[redacted] We still do not know the Sismik I's sailing date or the course it is to take. The US consulate in Istanbul reports that the ship may be prepared to depart for the Aegean today.

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[redacted] Turkish officials continue to assert Turkey's right to explore in the Aegean outside Turkish territorial waters, but they are being deliberately vague on the ship's planned course. They reject any implication that they intend to provoke the Greeks.

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[redacted] The Turks seem out to make their point against Greece's claims in the Aegean without going to the brink. A similar desire seems to exist in the Greek government. [redacted]

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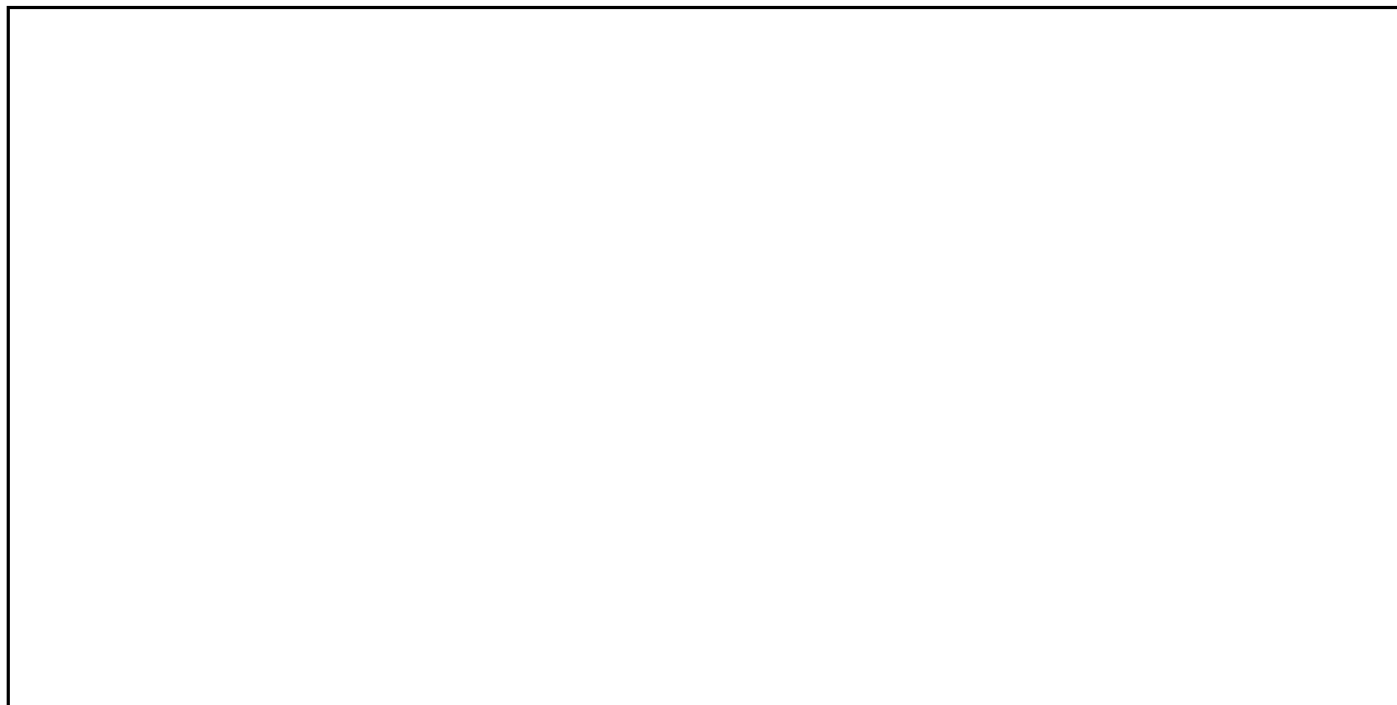
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JORDAN

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[REDACTED] //Newly installed Jordanian Prime Minister Badran is likely to concentrate on Jordan's domestic problems, despite his appointment as foreign minister and defense minister. King Husayn and the Royal Court apparently will assume almost all responsibility for foreign policy.//

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[REDACTED] In his shuffle of cabinet and Royal Court positions announced on Tuesday, Husayn was careful not to disturb the East Bank - West Bank ratio in the cabinet; there are still four natives of the Israeli-occupied West Bank in the cabinet.

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[] Badran's only involvement in foreign affairs has been as a high-level messenger to Saudi Arabia. He presumably will continue these contacts in the hope that he can elicit increased financial support for Jordan's development program.

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[] The new head of the Royal Court, Abd al-Hamid Sharaf, reportedly will assist Husayn in dealing with foreign policy. Sharaf has lived in the US for the past decade as Jordan's ambassador in Washington and later as its permanent representative to the UN. He is generally pragmatic and pro-West, but critical of the US on some Middle East issues.

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[] All evidence suggests that Husayn remains on good terms with former prime minister Rifai, and that Rifai will remain an important influence on the King. Rifai encouraged closer Jordanian cooperation with Syrian President Asad, and Husayn is unlikely to alter this relationship.

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[] The King may calculate that Rifai's departure will allow him to repair his strained relations with Saudi Arabia and Egypt without jeopardizing his good standing with Asad. The Saudis would welcome improved relations with Jordan; Egypt--because of its continuing quarrel with Damascus--would have greater reservations.

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PORTUGAL - WEST GERMANY

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[] //West Germany delivered 14 G-91 ground attack aircraft to Portugal on Monday. This brings the total number delivered this year to 19.//

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[] The G-91s, which are being gradually phased out of the West German air force, offer Bonn a cheap and effective means to help modernize the Portuguese air force and to strengthen Lisbon's military contribution to NATO. //The G-91 will eventually be replaced in Germany by the Franco-German Alpha Jet now undergoing flight-testing.//

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[] The Portuguese view the G-91 as only an interim aircraft until they can obtain first-line planes from the US or other NATO allies. The reliable G-91 will replace some of Portugal's Korean War - vintage F-86s.

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[] //Despite the recent deliveries, Lisbon's efforts to modernize its air force will probably continue to be hampered by a shortage of foreign exchange and by budgetary constraints.//

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[] //NATO recently approved an upgraded role for Portugal in the alliance and established an ad hoc group to coordinate bilateral assistance. Although all three of the Portuguese military services need modern equipment, the NATO initiative is aimed primarily at increasing the army's role in NATO.//

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[] //US and West German army survey teams are to visit Portugal later this month; a US air force team was in Lisbon earlier this summer, and a US naval team will probably go in the fall.//

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EC-ITALY

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[] //EC Commissioner for External Affairs Soames assured Ambassador Hinton this week that the Commission would not act before fall on a Community assistance plan for Italy, and that the US would be consulted prior to any rescue effort.//

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[] //Soames, however, hinted at the limits of such consultations in requesting US recognition of the EC's "particular" responsibility toward Italy. The Commission is thinking of a multi-billion dollar program that would contribute to basic economic and social reforms.//

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Some EC commissioners approve a plan, proposed by Fiat President Agnelli, to funnel international aid directly into major investment projects, particularly large-scale irrigation and nuclear power projects. Oil and agricultural products are the largest deficit items on Italy's foreign accounts.//

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25X1 [] //The EC Commission will ask the next Italian government not to use any more external financing for exchange market intervention. Instead, the Commission wants additional funds to be granted only for specific investment projects.//

25X1 [] //The Commission expects the next government immediately to press for a consolidation of outstanding external debt--now about \$17 billion. Italy probably will try to have the debt, or at least the official component, refinanced on a medium-to long-term basis; \$2.9 billion of Italy's debt is owed to the Community. The Commission believes there is little possibility Italy can meet its existing debt service schedule through 1981.//

25X1 [] //To relieve fears of renewed speculation against the lira, the EC Commission has approved an extension of the Italian import deposit scheme for an additional three months, even though it contravenes EC treaty provisions and will probably give rise to pressure on some member governments either to retaliate or adopt similar measures. The measure, which requires importers and others dealing in foreign exchange to deposit half the value of their foreign purchases in non-interest-bearing accounts at the central bank for three months, was originally scheduled to expire on August 5. [] 25X1

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UK

25X1 [] //The UK's current-account deficit rose to \$1.5 billion in the second quarter, compared to only \$110 million in the previous three months and \$1.1 billion for the same period last year. The trend is not likely to be reversed before the end of the year.//

25X1 [] //Government spokesmen attributed the poor performance to capital imports for several large North Sea oil and gas projects. The increase in the deficit also reflected deterioration in Britain's terms of trade and strengthened demand.//

25X1 [] //The initial reaction on foreign currency markets has been quiet, but the trade and current-account developments will not help the position of sterling. London already has drawn over \$1 billion of its \$5.3 billion stand-by loan to support the pound. [] 25X1

JAPAN

25X1 [] The Japanese yen appreciated sharply Tuesday and Wednesday, reaching its highest level against the dollar in more than a year.

25X1 [] The yen closed yesterday at 293 to the dollar, compared to 296 on Monday, amid speculation that Tokyo is willing to allow it to rise to 290. The Bank of Japan reportedly purchased \$300 million in dollars in the past two days to slow the appreciation.

25X1 [] //Since January 1, the yen has slowly appreciated almost 5 percent against the dollar, despite Tokyo's nearly \$2.5 billion in dollar purchases during the period.//

25X1 [] The mounting upward pressure on the yen since January reflects Japan's steadily improving balance of payments. Through May, Japan's trade surplus was at an annual rate of \$11 billion, compared with a \$5.1-billion surplus for all of 1975. 25X1 []

USSR-ETHIOPIA

25X1 [] As part of a continuing effort to strike a balance in its relations with Ethiopia and Somalia, Moscow last week played host to a government delegation from Addis Ababa headed by Captain Moges Woldes Mikael, chairman of the ruling military council's economic committee.

25X1 [] The Soviets, who are pleased with Ethiopia's move to the left and eager to increase influence with the military power-brokers in Addis Ababa, gave the Moges delegation red carpet treatment. Premier Kosygin, Foreign Minister Gromyko, party secretary Ponomarev, among others, participated in a round of talks with Moges, which, the Soviet media said, took place in "an atmosphere of friendship and mutual cooperation."

25X1 [] The joint communique issued at the close of Moges' visit was more reserved, stating only that the talks had reflected a "coincidence or proximity" of positions on many international issues. The communique did call for the consolidation and

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development of bilateral contacts and announced that a team of Soviet experts would soon depart for Ethiopia to study "opportunities" for economic and technical cooperation.

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[redacted] The official purpose of Moges' visit to the USSR has not been announced, although most local observers in Addis Ababa speculate that the Ethiopians were seeking increased Soviet economic assistance.

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[redacted] The communique suggests, however, that while Moges did not come away from Moscow emptyhanded, he may have received considerably less of a Soviet commitment than he or his military colleagues in Addis Ababa had hoped for.

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[redacted] It is possible that the Moges delegation, while looking primarily for economic assistance, may also have made a pitch for Soviet military aid.

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[redacted] Not surprisingly, neither the communique nor the Soviet media's extensive coverage of the Moges visit mentioned explicitly the dispute between Ethiopia and Somalia over the French Territory of the Afars and Issas. Gromyko, at a welcoming luncheon for Moges on July 7, did say that Moscow would welcome an improvement in Ethiopia's relations with its neighbors--an obvious reference to Somalia--and expressed confidence that the development of Soviet-Ethiopian relations would help to attain that goal. Gromyko may have been trying to reassure the Ethiopians of Moscow's neutrality in the dispute and of its efforts to restrain Somalia's aggressive designs on the territory.

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[redacted] Despite the warming trend in Soviet-Ethiopian relations, Moscow went out of its way during the Moges visit to reassure Somalia publicly that Soviet-Somali ties remain as strong as ever. *Pravda*, in a signed commentary on July 11, stressed that Soviet-Somali friendship and cooperation is based on a "unity of views" in the anti-imperialist struggle and on a "commonality of positions" on current international questions.

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USSR-CHINA

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[REDACTED] //The USSR and China both continue to warn Asians of the folly of relying on the other. In recent months the USSR seems to have been especially outspoken, even though the Soviet handling of Chinese Politburo member Chu Te's recent death was conciliatory. The Soviets probably hope to counter what they see as Peking's success over the past few years in courting some of its Asian neighbors.//

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[REDACTED] Peking, for its part, continues its frequent, acerbic warnings to Asian countries on Soviet intentions in the region. At a welcoming banquet for Australian Prime Minister Malcolm Fraser last month in Peking, Premier Hua Kuo-feng reiterated the standard Chinese charge that the Soviets are "the main source of war." Hua congratulated the Australians for their heightened vigilance against Soviet "expansionism" in Asia, a reference to Fraser's parliamentary statement in early June that condemned Soviet activities in the Indian Ocean and the Western Pacific.

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[REDACTED]

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NONALIGNED CONFERENCE

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[] The recent Israeli raid at Entebbe airfield has increased the likelihood that Syria and radical members of the nonaligned movement will again try to make Israel's expulsion from the UN a major issue at the summit conference next month in Sri Lanka.

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[] Late last month, the Sri Lankan ambassador in Washington said he was "confident" the summit participants would not call for expulsion of Israel because members of the non-aligned group understand the delicacy of the issue. At the preparatory meeting for the summit at Algiers earlier in June, Syria's effort to insert a paragraph calling for Israel's expulsion from the UN received little support.

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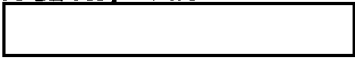
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 Published resolutions and proceedings of the OAU meeting do not disclose agreement on such a course of action, but the issue may have been handled in closed session. 

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